

# HOUSE BILL REPORT

## HB 3178

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### As Reported by House Committee On: Ways & Means

**Title:** An act relating to creating efficiencies in the use of technology in state government.

**Brief Description:** Creating efficiencies in the use of technology in state government.

**Sponsors:** Representatives Carlyle, Anderson, Hunter, Rolfes, Eddy, Takko, Probst, Wallace, Maxwell, Van De Wege, Kelley, Green, Sullivan, Hudgins, Hope, Morrell, Springer, Ericks, Hunt, Goodman, Jacks and Finn.

#### **Brief History:**

##### **Committee Activity:**

Ways & Means: 2/17/10, 2/27/10 [DPS].

#### **Brief Summary of Substitute Bill**

- Establishes spending restrictions related to information technology (IT) for the 2009-11 biennium.
- Directs the Office of Financial Management (OFM) to work with state agencies to generate IT savings equal to the amount specified in the Omnibus Appropriations Act.
- Creates an application managed services pilot project with participation from the Department of Social and Health Services (DSHS), the Department of Transportation (DOT), the Legislative Service Center, and the OFM.
- Directs the Information Services Board to develop a pilot project for providing telephony and e-mail services centrally among piloted agencies.
- Adds reporting requirements related to state agency IT expenditures.
- Makes the Data Processing Revolving Fund an appropriated account.

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### HOUSE COMMITTEE ON WAYS & MEANS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 21 members: Representatives Linville, Chair; Ericks, Vice Chair; Sullivan, Vice Chair; Alexander, Ranking Minority Member; Dammeier, Assistant Ranking Minority

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Member; Chandler, Cody, Conway, Darneille, Haigh, Hinkle, Hunt, Hunter, Kagi, Kenney, Kessler, Pettigrew, Priest, Ross, Schmick and Seaquist.

**Minority Report:** Do not pass. Signed by 1 member: Representative Bailey, Assistant Ranking Minority Member.

**Staff:** Steve Smith (786-7178).

**Background:**

Information Technology Work Group.

The state has undertaken a variety of efforts in recent years to examine opportunities to improve the administration and coordination of state information technologies (IT). In 2007 the Legislature created the Information Technology Work Group (Work Group), which is composed of legislative members, state agency directors, chief information officers, and members of the business community. In November of 2007, the Work Group made a number of recommendations regarding IT project approval and oversight, purchasing practices, and the shared use of the Department of Information Services (DIS) infrastructure. The Work Group also recommended that a consultant be hired to conduct an evaluation of IT in support of the continued efforts of the Work Group. In September of 2008, the House of Representatives signed a contract with Pacific Technologies, Inc. (PTI) to conduct an evaluation of, and develop a strategy for, the governance and delivery of state IT services.

Recent IT Reports.

In 2009 the Legislature received three reports related to the provision of IT in state government. While the scope and objectives of the reports vary, all three reports provide high-level recommendations regarding how the state could increase efficiency in the provision of IT.

*Pacific Technologies, Inc. Report.*

The PTI report was completed in June of 2009 at the request of the Legislature and the Work Group. In their final report, PTI made a number of recommendations regarding IT governance and service delivery, including recommendations to:

- refocus the Information Services Board (SB) on setting and guiding IT direction for the state;
- establish a Project Review Board for level 3 projects;
- centralize desktop and infrastructure support functions to achieve economies of scale, while leaving application support in state agencies; and
- optimize and reduce IT infrastructure in alignment with enterprise architecture best practices.

*Unisys Report.*

The Unisys report was commissioned in 2009 as part of the authorization from the Legislature to the DIS to construct a new state data center and office building. Specifically, Unisys was directed to outline how the state could consolidate independent agency data centers to achieve cost-savings to offset higher facility costs.

In its report, Unisys recommended that efforts be made to standardize IT in state government. According to Unisys, greater standardization would allow the state to achieve greater economies of scale, reduce costs, and provide for a more efficient transition to the new state data center. Such standardization efforts could include: discontinuing individual agency server purchases; developing virtualization standards; consolidating servers; and establishing data storage requirements.

#### *State Auditor's Report.*

In January of 2010, the State Auditor issued an "Opportunities for Washington" report, which identified a number of areas with respect to IT where the state could improve service and reduce costs. The State Auditor's report identified several opportunities for improving service and cutting costs: (1) reduce the number of agency data centers; (2) consolidate International Business Machines (IBM) mainframes under one shared service provider; (3) standardize and centralize IT support; (4) consolidate servers within the DIS and better use technology to reduce the number of servers needed; (5) use network resources more efficiently by eliminating duplication and using resources provided by the DIS; (6) include e-mail administration as part of the central e-mail service; and (7) provide competitively priced shared data storage at the DIS. However, the State Auditor acknowledged that changes should be made to how the DIS operates before further consolidation or sharing of IT infrastructure services occurs.

#### Department of Information Services.

The DIS was formed in 1987 as a result of consolidating the state's four independent data processing and communications systems. The Director of the DIS is responsible for overseeing the functions of the DIS, as well as maintaining a strategic planning and policy component for the state by serving as the state Chief Information Officer (CIO).

The DIS provides IT services, upon request, to state agencies, local governments, and public benefit non-profit entities in the state on a cost-recovery basis. The DIS also performs work delegated to it by the Information Services Board, including the review of agency portfolios, the review of agency investment plans and requests, and implementation of statewide and interagency policies, standards, and guidelines.

#### Information Services Board.

The Information Services Board (ISB) was also formed in 1987. The ISB is given a broad range of duties under statute, including policy development, strategic IT planning, oversight of executive branch agencies' IT projects, and delegating authority to the DIS and the agencies. One of the ISB's primary functions is reviewing and providing oversight and spending authorization for larger, higher risk IT projects administered by executive branch agencies.

#### Wireless Service.

Many state agencies provide portable handheld wireless devices to their employees. Agencies may purchase wireless service plans or phones through an IT Master Contract offered through the DIS, but generally may also purchase wireless service or phones from other sources.

#### Personal Computers.

State agencies may purchase personal computers (PCs) through an IT Master Contract administered by the DIS. In addition, state agencies may participate in the DIS Lease Program for PCs, which typically reflects a four-year replacement cycle.

According to the 2009 PTI Report, state agencies maintain approximately 33 percent more PCs than employees. The PTI found that the state could reduce its PC inventory by 25 percent and still have one PC for every agency employee, which could reduce support demands.

#### Data Storage and Data Centers.

The state has both centralized data center capacity, as well as independent data processing capabilities in numerous agency data centers. The capabilities of these in-house data centers ranges from servers placed in office space to full-fledged facilities with dedicated cooling, power, and staff.

State agencies currently have varied data storage requirements, equipment, resources, and multiple variations in implementation of data retention policies. The Unisys report found that, among the 21 agencies surveyed, there were over 195 different storage devices within the agencies data centers.

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### **Summary of Substitute Bill:**

#### Department of Information Services Authority and Duties.

Provisions related to the duties and responsibilities of the Department of Information Services (DIS) are revised. The DIS must provide data storage services, as well as provide procurement and maintenance of personal computers (PCs), servers, and virtualization services, in addition to other information technology (IT) related services. Provisions specifying that DIS services are for discretionary use by customers are removed from state law.

#### Pilot Projects.

The Information Services Board (ISB) must develop a pilot project for providing telephony and e-mail services centrally among piloted agencies, either through the DIS or through a private provider, whichever results in the lowest cost for the same level of service.

The DIS, in conjunction with the Office of Financial Management (OFM), must coordinate a pilot project to demonstrate the value of application managed services with four specified agencies: (1) the Department of Transportation (DOT); (2) the Department of Social and Health Services (DSHS); (3) the Legislative Services Center; and (4) the OFM.

The application managed services pilot must entail: (1) an assessment of each agency's IT application portfolio; (2) identification of opportunities in the use of best practices and tools; and (3) an evaluation of each agency's decision to proceed with application managed services based on the results of the assessment. The DIS and the OFM must prepare a report of the findings of the assessment by September 1, 2010, and a final report of the pilot results by June 30, 2011.

#### Information Technology Spending Restrictions.

The following limitations are placed upon IT procurement by state agencies for the 2009-11 biennium:

- State agencies may not purchase or implement new IT projects without securing prior authorization from the OFM. The OFM may only approve IT projects that contribute towards an enterprise strategy or meet a critical, localized need of the agency.
- State agencies may not purchase servers, virtualization software, data storage, or related software without securing prior authorization from the OFM. The OFM will grant approval only if the purchase is consistent with the state's overall migration strategy to the state data center and is critical to the operation of the agency.
- State agencies are not permitted to upgrade existing software without prior approval from the OFM. The OFM will grant approval only if the agency can demonstrate that upgrade of the software is critical to the operation of the agency.

#### Information Technology Savings.

The ISB, with the assistance of the DIS and the OFM, must identify the most reasonable strategies that will achieve the savings identified in the Omnibus Appropriation Act without affecting direct program activities. The analysis must identify savings by agency and fund. The result of this analysis must be provided to the OFM by July 1, 2010.

The OFM must work with state agencies to generate savings equal to the amount specified in the Omnibus Appropriations Act.

The OFM must reduce agency allotments by the amounts specified in the Omnibus Appropriations Act to reflect these savings. The allotment reductions must be placed in unallotted status and remain unexpended.

#### Information Technology Inventory.

The DIS must conduct a detailed inventory of all IT assets owned or leased by state agencies. The findings of the inventory must be submitted to the Governor and the Legislature by December 1, 2010.

#### Wireless Phone Service.

State agencies must purchase cellular or mobile phone service from the state Master Contract, unless they secure a waiver in advance from the OFM or the DIS.

#### Personal Computers.

The DIS may develop a PC replacement policy of at least five years for PCs owned or leased by state agencies. In developing a replacement policy, the DIS must review existing PC lease programs and may discontinue those programs that are not consistent with a five-year replacement cycle. State agencies are encouraged to purchase or lease PCs through the state Master Contract.

#### Data Storage.

The ISB must develop a data retention policy for state agencies in consultation with the Secretary of State.

State agencies must develop data storage policies by reviewing what information currently exists in digital format, where it is stored, how it is being used, and the business and legal requirements for retention. The DIS must offer tiered data storage services as an optional service to state agencies. State agencies are encouraged to purchase additional storage through the DIS.

#### Information Technology Reporting.

Additional requirements are added to the State Budget and Accounting Act related to IT reporting. The OFM must revise its operating budget instructions to agencies to include the collection of additional information for proposed IT projects. Agencies that propose IT projects must provide to the OFM specific information regarding proposed IT projects, including project implementation costs, maintenance costs, estimated operating savings, and estimated start and end dates.

The OFM must also institute a method of accounting for IT-related expenditures and report to the Legislature, with the first report due on January 15, 2013. In addition, the Governor's budget must also include an IT plan that lists all proposed projects and their current and projected costs. This plan must be submitted electronically, in a format agreed upon by the OFM and the Legislative Evaluation and Accountability Program Committee (LEAP).

The DIS, in coordination with the ISB and the OFM, must evaluate agency budget requests and submit funding recommendations to the Legislature. The DIS must also submit recommendations regarding consolidation of similar proposals or other efficiencies it may find in reviewing proposals.

The DIS must also include additional items in its report to the Legislature on major IT projects. This report must include original and final budgets, original and final schedules, and data regarding process made towards meeting the performance measures included in the original proposal. The first report is due December 15, 2011, and every two years thereafter.

#### Information Savings Board Oversight.

The ISB must develop contracting standards for IT acquisition and purchased services and work with state agencies to ensure deployment of standardized contracts. The ISB, in consultation with the OFM, must review state agency IT budgets. Information Technology projects under the ISB purview must be reviewed based on independent technical and financial information, regardless of whether the project or service is being provided by public or private providers. This review must be conducted by independent, technical staff support, if funds are appropriated. The ISB also may acquire project management assistance.

#### Data Processing Revolving Fund.

The Data Processing Revolving Fund is changed from a non-appropriated account to an appropriated account in the State Treasury.

#### Legislative Intent.

An existing intent section is repealed from current law and is replaced by a new intent section.

#### **Substitute Bill Compared to Original Bill:**

The substitute bill changes provisions related to personal computer (PC) purchases by state agencies to permissive rather than mandatory provisions. The authority granted to the Department of Information Services (DIS) over PC purchase, lease, and replacement for the state is removed.

The substitute bill adds a number of provisions to the bill:

- The Information Service Board (ISB) is authorized to conduct a pilot project to centrally provide e-mail and telephony across state agencies through either the DIS or a private provider.
- The DIS must conduct an inventory of all IT assets owned or leased by state agencies.
- Projects subject to review and approval by the ISB must be analyzed based on independent technical and financial information.
- The ISB must be given independent technical staff support, if funds are appropriated for this purpose.
- The Office of Financial Management (OFM) must institute a method of account for IT related expenditures.
- The OFM must revise its budget instructions to agencies to obtain specific information about IT project costs.
- The DIS must provide IT funding recommendations to the Legislature and report on major IT projects.
- The DIS and the OFM must coordinate a pilot project for the Department of Transportation, the Department of Social and Health Services, the Legislative Service Center, and the OFM, to assess the use of application managed services for IT.
- The ISB must identify strategies by July 1, 2010 to achieve the savings specified in the Omnibus Appropriations Act.
- The OFM must work with state agencies to generate savings equal to those specified in the Omnibus Appropriations Act, and reduce agency allotments to reflect the savings.
- The Data Processing Revolving Fund is changed to an appropriated account.

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**Appropriation:** None.

**Fiscal Note:** Preliminary fiscal note available.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) Over the last three years, three reports have examined information technology (IT) spending in the state. The goal of this bill is to move the short- and longer-term recommendations in those reports into implementation mode. The PC refresh rates and other tactical issues currently in the bill are only symbolic representations of the larger issues, representations that we do not have a statewide, enterprise-wide strategy of the \$1.2 billion that we spend on technology per year in this state. Developing that strategy is the goal of this

bill. This is a work in progress and we are working with all of the stakeholders in this state. We are trying to figure out the tactics of language, and also how to build a strategy to capture immediate short-term savings, as well as long-term savings in terms of the plan. The challenge we have is that we spend a great deal of money on information technology, and it is essential that we have an enterprise architecture approach, and this is one step towards it. One of the most costly mistakes a business organization can make is to consider IT expenditures to be a fungible operating expense, whereas nothing could be further from the truth; and often, cheap savings are expected to be found there. The IT systems that support operations are in fact the business processes by which the policies we enact actually occur in the field, and when we pass policies that cannot be enacted in the field due to the fact that IT infrastructure is not in place, we get frustrated and people in the real world get frustrated. This is a good first step to rationalize the processes that have been in play over the years.

(With concerns) There is an IT transformation underway in the state; however, in this budget environment, this collaborative process with the state Chief Information Officers (CIO) is not operating fast enough. Clearly, there is an urgency to achieve those savings in the IT spend, and we need to move faster. Both in the original and substitute bill there are some issues that need to be resolved. First of all, in order to get control of the spend, you need to know what it is and get financial clarity. Currently, we just don't know what the statewide IT spend is. Work has been done with the Office of Financial Management (OFM) to try to develop some processes to do this, and we need to understand what we own and what our IT asset base is. The assumption is the asset base is at least equal to, or more, than the total IT spend. But we haven't analyzed our asset base yet, so we need to get some kind of control of what our IT asset base is, and then we need to get some kind of mechanism to work with these cost controls that have not been in place. There have been surveys with state CIOs about the original bill, and there are some concerns about sections such as the PC refresh cycle, which they believe are too prescriptive, and they think the right strategy is to be given goals and let the agencies work through a process to work towards those goals. By specifying specific tactics, other tactics are left out. For example, other problems such as the problem of having multiple contracts for the exact same services among different agencies, is another issue that needs to be resolved. We prefer the proposed substitute to the original bill. We appreciate that the language is permissive in sections 4, 5 and 6 of the substitute bill, and in section six we appreciate the fact that the Office of the Secretary of State (OSOS) is being called out to consult with the DIS on the data retention schedule. This section needs a bit of work because it's a state records committee rather than the OSOS, per se, that has rule writing authority over state records, of which data are state records, and for state archivists this is a big deal. In section 8, we think what is meant by the "servers-to-data migrations" are things here in Olympia, and we hope that this will not affect the digital archives, which was authorized by the Legislature and blessed by the Information Service Board as a dedicated digital archives from the ground up. We hope that the intent is not to move the digital archives from Cheney to Olympia. We do have some minor concerns and we would like to help.

(Opposed) None.

**Persons Testifying:** (In support) Representative Carlyle, prime sponsor; and Representative Anderson.



(With concerns) Tony Tortorice, Director, Department of Information Technology; Tim Young, Washington Federation of State Employees; and Dan Speigle, Office of the Secretary of State.

**Persons Signed In To Testify But Not Testifying:** None.